

**Child,
Van Wagoner &
Bradshaw, PLLC**

Tooele County Housing Authority

**Independent Auditors' Reports, Management's
Discussion and Analysis, and Supplemental
Information**

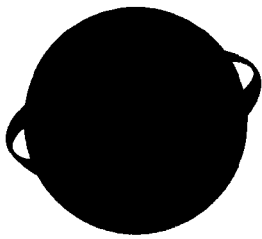
December 31, 2005

With Independent Auditors' Report Thereon

Tooele County Housing Authority

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Independent Auditors' Report on Financial Statements and Supplementary Schedules

To the Board of Commissioners
Tooele County Housing Authority
Tooele County, Utah

We have audited the accompanying financial statements of the business-type activities and major fund of the Tooele County Housing Authority (the Authority), as of and for the year ended December 31, 2005, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activity and major fund of the Authority as of December 31, 2005, and the changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 7, 2006, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Board of Commissioners
Tooele County Housing Authority

The management's discussion and analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Financial Data Schedules I and II on pages 25 through 30 are presented for purposes of additional analysis, as required by the U.S. Department of Housing and Urban Development and is not a required part of the basic financial statement of the Authority. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Child, Van Wagoner & Bradshaw

Child, Van Wagoner & Bradshaw, PLLC
Kaysville, Utah
August 7, 2006

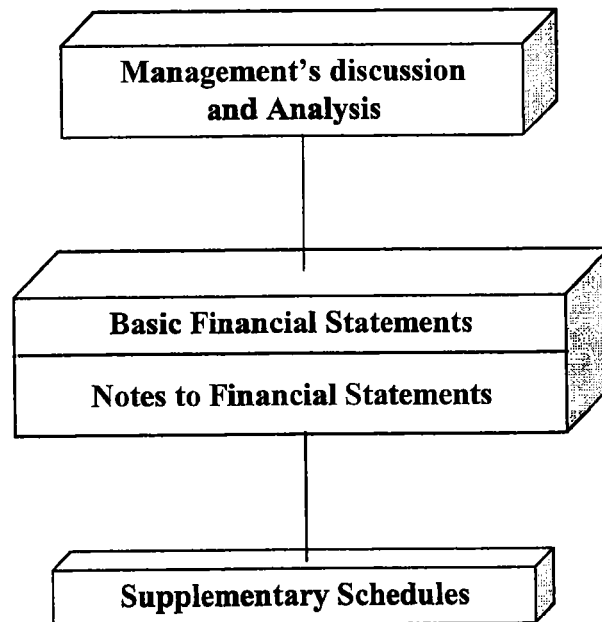
**Tooele County Housing Authority
Management's Discussion and Analysis
Year Ended December 31, 2005**

INTRODUCTION

The Tooele County Housing Authority (the Authority) was created under the laws of the state of Utah, and certified by the United States Department of Housing and Urban Development (HUD). The purpose of the Authority is to administer programs in the Tooele County area under the Housing Act of 1937, as amended. The Federal Government subsidizes these programs by direct awards through HUD and pass through awards through other state and local government agencies. The Authority is governed by a five-member board of commissioners, which is appointed by the County Commissioner of Tooele County. The Board, in turn, elects a Chairperson and employs an Executive Director to administer the affairs of the Authority.

The Authority presents this discussion and analysis of its financial performance during the fiscal year (FY) ended December 31, 2005, to assist the reader in focusing on significant financial issues and concerns. This discussion and analysis is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued June 1999.

The Authority's FY2005 annual financial report consists of two parts – the management's discussion and analysis, and the basic financial statements (which include notes to those financial statements). Also included are supplementary schedules that show information that was sent to HUD related to our basic financial statements.



**Tooele County Housing Authority
Management's Discussion and Analysis (continued)
Year Ended December 31, 2005**

The basic financial statements provide information about the Authority's overall financial position and results of operations. These statements, which are presented on the accrual basis, consist of the Statement of Net Assets, the Statement of Activities and Changes in Net Assets and the Statement of Cash Flows. The basic financial statements also include a "Notes to Financial Statements" section that provides additional information that is essential to a full understanding of the data provided in the basic financial statements.

The primary focus of the Authority's financial statements is on a single business-type activity that combines all programs administered by the Authority. This discussion and analysis is focused on the primary activities of the Authority.

FINANCIAL HIGHLIGHTS

Under GASB Statement No. 34, the Authority's single business-type activity financial statements for FY2005 report on all of the Authority's assets, liabilities, revenues, expenses, and net assets under the programs it administers. A summary of the current-year results in comparison with the prior year results follows:

- Net assets of the Authority decreased \$30,765 as of December 31, 2005, from the prior year.
- Operating revenues of the Authority decreased by \$51,490 over prior year results.
- The Authority's debt outstanding of \$295,212 as of December 31, 2005 decreased \$7,191 over the prior year. Principal payments on mortgage notes outstanding were \$7,191 during the year.
- Current liabilities decreased by \$126,246 over the prior year.
- The decrease in cash and cash equivalents for the year was \$64,834.
- The Authority grants (other than HUD) were \$39,397 during the FY2005.

AUTHORITY FINANCIAL STATEMENTS

The Authority is presenting its FY2005 discussion and analysis based on the financial results of its enterprise programs in three basic financial statements – the Statement of Net Assets; the Statement of Activities and changes in net assets; and the statement of cash flows. The Statement of Net Assets reports all financial and capital assets of the Authority and is presented in a format where assets equal liabilities plus net assets, formerly known as fund equity. Net assets are broken down into the following three categories:

Tooele County Housing Authority
Management's Discussion and Analysis (continued)
Year Ended December 31, 2005

- *Net assets, invested in capital assets, net of related debt* consists of all capital assets net of accumulated depreciation, reduced by the outstanding balances of mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of these assets.
- *Restricted net assets* consists of assets that are restricted by constraints placed on the asset by external parties, such as creditors, grantors, contributors, laws, or regulations reduced by liabilities payable from such assets.
- *Unrestricted net assets* consists of net assets that do not meet the definition of *net assets invested in capital assets, net of related debt* or *restricted net assets*.

The Statement of Activities and Changes in Net Assets (similar to an income statement) includes operating revenues, such as rental income; operating expenses, such as administrative, utilities, maintenance, and depreciation; and nonoperating revenues and expenses, such as investment income and interest expense. The Statement's focus is the change in net assets, which is similar to net income or loss.

Finally, a Statement of Cash Flows is included, which discloses net cash provided by or used for operating activities, capital and related financing activities, and investing activities.

These financial statements utilize the economic resources measurement focus and the full accrual basis of accounting. They report the Authority's net assets and changes in net assets in full compliance with GASB Statement No. 34. Under the full accrual basis of accounting, revenues are recognized in the period they are earned and expenses in the period they are incurred.

The entity-wide presentation represents five different programs and activities. Most of these programs are financed by federal grants from HUD, rents, and other user charges resulting from operations of subsidized housing, by management fees, and by investment income and loan proceeds. In FY2005, the following programs (seen in the supplementary schedule of expenditures of federal awards on page 32) make up the Authority's single business-type activities financial statements:

- *Section 8 Housing Choice Vouchers* – This program is funded by HUD and is a subsidy program for low- and moderate-income families seeking housing in the private rental market.
- *Other Government Grant Programs* – These programs account for HUD grant funds received for the following activities: CDBG and HOME Grants.
- *Capital Fund Program* – This program uses HUD capital contributions to fund new construction, major improvements to existing properties and operating expenditures authorized by HUD.

**Tooele County Housing Authority
Management's Discussion and Analysis (continued)
Year Ended December 31, 2005**

Net Assets

The Authority's overall financial position and operations for the past two years are summarized below based on the information included in the current and prior financial statements.

**Tooele County Housing Authority
Statement of Net Assets**

	2005	2004	Total Percentage Change
Current assets	\$ 242,267	\$ 352,973	(31.4%)
Restricted deposits	9,582	43,321	(77.9%)
Fixed assets, net of depreciation	1,427,581	1,443,215	(1.1%)
Other assets	368,319	372,383	(1.1%)
Total assets	<u>2,047,749</u>	<u>2,211,892</u>	(7.4%)
Current liabilities	46,530	172,776	(73.1%)
Deposits and prepaid liabilities	9,582	9,320	2.8%
Noncurrent liabilities	287,817	295,211	(2.5%)
Total liabilities	<u>343,929</u>	<u>477,307</u>	(27.9%)
Net assets:			
Invested in capital assets	1,132,369	1,140,812	(0.7%)
Unrestricted net assets	571,451	593,773	(3.8%)
Total net assets	<u>\$ 1,703,820</u>	<u>\$1,734,585</u>	(1.8%)

The Authority's total assets at December 31, 2005 were \$2,047,749, a decrease of \$164,143, or 7.4%, from December 31, 2004.

Notes Receivables, related party - current portion

Total notes receivables, related party - current portion decreased by \$50,157 (97.8%) as of December 31, 2005 compared with December 31, 2004. The primary source of the decrease is due to Grantsville Apartments paying \$45,932 back to the Authority in the current year.

Restricted Deposits

Total restricted deposits decreased by \$33,739 (77.9%) as of December 31, 2005 compared with December 31, 2004. The decrease is due to the Authority's using the restricted cash of \$34,001 from the prior year for the purpose of updating and maintaining Authority owned housing units.

**Tooele County Housing Authority
Management's Discussion and Analysis (continued)
Year Ended December 31, 2005**

Deferred Revenue

Total deferred revenue decreased by \$126,187 (76.7%) as of December 31, 2005 compared with December 31, 2004. The primary source of the decrease was due to the prepayment of HUD's monthly housing assistance payment in FY2004 for FY2005's assistance, the Authority recognized this revenue in FY2005.

Notes Payable

During the year the Authority repaid notes payable in the amount of \$7,191, which represents all long-term liability payments due from the Authority during the year.

Net Assets

The Authority's net assets decreased by \$30,765 (1.8%) during FY2005. At December 31, 2005, investments in capital assets comprise about 69.7% of the Authority's total assets, while these assets are collateralized by related current and long-term debt of approximately \$300,000 that is about 85.8% of its total liabilities. However, the amount invested in capital assets, net of related debt, amounts to about 66.5% of total net assets.

The Authority's net assets also consist of restricted and unrestricted net assets. Unrestricted net assets include cash in the bank, receivables, and other assets less all other liabilities not previously applied. At December 31, 2005, unrestricted net assets amounts to about 33.5% of total net assets.

Tooele County Housing Authority
Management's Discussion and Analysis (continued)
Year Ended December 31, 2005

Revenues, Expenses and Changes in Net Assets

The results of operations for the Authority are presented below:

Tooele County Housing Authority
Statement of Activities and Changes in Net Assets

	2005	2004	Increase/(Decrease) Amount	Percentage
Operating revenues:				
Dwelling rentals	\$ 62,980	\$ 55,278	\$ 7,702	13.9%
HUD PHA operating grants	1,151,376	1,158,193	(6,817)	(0.6%)
Capital grants	34,001	51,689	(17,688)	(34.2%)
Other government grants	39,397	75,753	(36,356)	(48.0%)
Other operating revenue	67,545	65,876	1,669	2.5%
Total operating revenues	<u>1,355,299</u>	<u>1,406,789</u>	<u>(51,490)</u>	
Operating expenses:				
Administration	263,517	251,058	12,459	5.0%
Utilities	22,419	22,626	(207)	(0.9%)
Operating and maintenance	74,603	55,639	18,964	34.1%
General	11,130	40,641	(29,511)	(72.6%)
Insurance	16,197	12,491	3,706	29.7%
Housing assistance payments	935,056	985,683	(50,627)	(5.1%)
Depreciation	57,602	49,331	8,271	16.8%
Total operating expenses	<u>1,380,524</u>	<u>1,417,469</u>	<u>(36,945)</u>	
Operating gain/(loss)	<u>(25,225)</u>	<u>(10,680)</u>	<u>(14,545)</u>	
Nonoperating revenues/(expenses):				
Interest income	2,362	2,435	(73)	(3.0%)
Interest expense	(7,901)	(6,867)	(1,034)	(15.1%)
Nonoperating expenses, net	<u>(5,539)</u>	<u>(4,432)</u>	<u>(1,107)</u>	
Change in net assets	<u>\$ (30,764)</u>	<u>\$ (15,112)</u>	<u>\$ (15,652)</u>	

**Tooele County Housing Authority
Management's Discussion and Analysis (continued)
Year Ended December 31, 2005**

Operating revenues of the Authority's activities are generated principally from HUD PHA operating grants. In FY2005, the Authority's revenues for its activities totaled \$1,355,299. Of this total, \$1,151,376, or about 85.0%, is from HUD PHA operating grants. Operating expenses of the Authority's activities consist primarily of housing assistance payments. Operating expenses total \$1,380,524, of which \$935,056, or about 67.7%, was for housing assistance payments.

About 0.2% of the Authority's total revenues in FY2005 were nonoperating revenues that are derived from interest income. The remaining 99.8% were operating revenues derived from dwelling rentals (4.6%), HUD PHA operating revenues (84.8%), capital grants (2.5%), other government grants (2.9%), and other operating revenues (5.0%).

About 0.6% of the Authority's total expenses in FY2005 were nonoperating expenses that are derived from interest expense. The remaining 99.4% were operating expenses derived from administration (19.0%), utilities (1.6%), operating and maintenance (5.4%), general (0.8%), insurance (1.2%), housing assistance payments (67.3%), and depreciation (4.1%).

Decrease in net assets for the year ended December 31, 2005 was \$30,764 compared with a decrease of \$15,112 for the year ended December 31, 2004. Factors contributing to these results included:

- Decrease in capital grants and other government grants totaling \$54,044.

CAPITAL ASSETS

The Authority's capital assets as of December 31, 2005, included land, buildings, and furniture and equipment that netted to \$1,427,581, most of which is comprised of rental units available for lease to low and moderate income residents. Capital assets, net of depreciation, decreased \$15,634 from the preceding year.

	2005	2004	Change
Land	\$ 202,480	\$ 202,480	\$ -
Buildings	1,605,207	1,516,488	88,719
Furniture and equipment	225,923	224,430	1,493
Construction in progress	-	48,243	(48,243)
Accumulated depreciation	(606,029)	(548,426)	(57,603)
Total	<u>\$ 1,427,581</u>	<u>\$ 1,443,215</u>	<u>\$ (15,634)</u>

**Tooele County Housing Authority
Management's Discussion and Analysis (continued)
Year Ended December 31, 2005**

CONTACTING AUTHORITY MANAGEMENT

This financial report is designed to provide a general overview of the Authority's accountability for all those interested. Questions concerning this report or requests for additional financial information should be directed to the Executive Director, Tooele County Housing Authority, 118 East Vine Street, Tooele, UT 84074.

Tooele County Housing Authority
Statement of Net Assets
December 31, 2005

Assets

Current assets:

Cash - unrestricted (note 2)	\$ 208,593
Accounts receivable - tenants, net of allowance for doubtful accounts of \$7,806	1,124
Notes receivable, related party - current portion (note 4 and 12)	1,143
Notes receivable - current portion (note 4)	30,000
Accrued interest receivable	357
Prepaid expenses	1,050
Total current assets	<u>242,267</u>

Restricted deposits:

Cash - tenants' security deposits (note 2)	8,820
Cash - fss escrow (note 2)	762
Total restricted deposits	<u>9,582</u>

Fixed assets:

Land	202,480
Buildings	1,605,207
Furniture, equipment and machinery - dwellings	178,014
Furniture, equipment and machinery - administration	47,909
Total fixed assets	<u>2,033,610</u>
Less: accumulated depreciation	<u>(606,029)</u>
Net fixed assets	<u>1,427,581</u>

Other assets:

Notes receivable - less current portion, net of reserve of \$11,140 (note 4)	353,881
Notes receivable, related party (notes 4 and 12)	14,438
Total other assets	<u>368,319</u>

Total assets	<u><u>\$ 2,047,749</u></u>
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See accompanying notes to basic financial statements.

Tooele County Housing Authority
Statement of Net Assets (continued)
December 31, 2005

Liabilities

Current liabilities:

Accounts payable	\$ 82
Accrued interest payable	599
Mortgages payable - current portion (note 5)	7,395
Other current liabilities	97
Unearned revenue (note 11)	38,357
Total current liabilities	<u>46,530</u>

Deposits and prepaid liabilities:

Tenants' security deposits	8,820
FSS escrow liability	762
	<u>9,582</u>

Long-term liabilities:

Mortgages payable - less current portion (note 5)	287,817
Total liabilities	<u>343,929</u>

Net Assets

Invested in capital assets, net of related debt	1,132,369
Unrestricted net assets	571,451
Total net assets	<u>1,703,820</u>
Total liabilities and net assets	<u><u>\$ 2,047,749</u></u>

See accompanying notes to basic financial statements.

Tooele County Housing Authority
Statement of Activities,
and Changes in Net Assets
Year Ended December 31, 2005

Operating revenues:

Net tenant rental revenue	\$ 62,980
HUD PHA operating grants	1,151,376
Capital grants	34,001
Other government grants	39,397
Other operating revenues	67,545
Total operating revenues	<u>1,355,299</u>

Operating expenses:

Administration	263,517
Utilities	22,419
Ordinary maintenance and operations	74,603
General	11,130
Insurance	16,197
Housing assistance payments	935,056
Depreciation	57,602
Total operating expenses	<u>1,380,524</u>

Operating income (25,225)

Nonoperating revenues (expenses):

Interest income	2,362
Interest expense	(7,901)
Nonoperating revenues (expenses)	<u>(5,539)</u>

Change in net assets	(30,764)
Net assets at beginning of year	<u>1,734,584</u>
Net assets at end of year	<u><u>\$ 1,703,820</u></u>

See accompanying notes to basic financial statements.

Tooele County Housing Authority
Statement of Cash Flows
Year Ended December 31, 2005

Cash flows from operating activities:

Dwelling rentals	\$ 64,200
HUD PHA operating grants	1,059,751
Capital grants	34,001
Other government grants	37,167
Other operating revenues	118,206
Interest	2,362
Total receipts	<u>1,315,687</u>
Administration	263,060
Utilities	22,419
Ordinary maintenance and operations	74,603
General	11,130
Insurance	16,197
Housing assistance payments	935,714
Interest	7,302
Total disbursements	<u>1,330,425</u>
Net cash provided by operating activities	(14,738)

Cash flows from investing activities:

Notes receivable	(44,000)
Notes receivable - related party	(375)
Payments received on notes receivable	43,439
Net cash used in investing activities	<u>(936)</u>

Cash flows from noncapital financing activities:

-

Cash flows from capital financing activities:

Purchase of fixed assets	(41,969)
Principal payments on long-term debt	(7,191)
Net cash used in capital financing activities	<u>(49,160)</u>

Net decrease in cash and cash equivalents	(64,834)
Cash and cash equivalents at beginning of year	273,427
Cash and cash equivalents at end of year	<u><u>\$ 208,593</u></u>

See accompanying notes to basic financial statements.

Tooele County Housing Authority
Statement of Cash Flows (continued)
Year Ended December 31, 2005

Reconciliation of change in net assets to net cash provided by
operating activities:

Change in net assets	\$ (30,764)
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Adjustments to reconcile change in net assets to net cash
provided by operating activities:

Depreciation and amortization	57,602
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Allowance for doubtful accounts	3,389
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(Increase) decrease in:

Accounts receivable - miscellaneous	50,661
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Accounts receivable - tenants	(3,838)
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Prepaid expenses	660
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Restricted cash	34,001
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Cash - fss escrow	(8)
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Cash - tenants' security deposits	(254)
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Increase (decrease) in:

Accounts payable	(300)
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Accounts payable - HUD	(658)
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Fss escrow	8
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Other current liabilities	696
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Unearned revenue	(126,187)
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Tenants' security deposits	254
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Net cash provided by operating activities	\$ (14,738)
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See accompanying notes to basic financial statements.

Tooele County Housing Authority
Notes to Financial Statements
Year Ended December 31, 2005

1. Summary of Significant Accounting Policies

Organization and History

The Tooele County Housing Authority (the Authority) was created under the laws of the state of Utah, and certified by the U.S. Department of Housing and Urban Development (HUD). The Authority has not been considered a component unit of Tooele County (the County) since the County exercises no responsibility either financially or administratively over the Authority. The purpose of the Authority is to administer programs under the Housing Act of 1937, as amended. These programs are subsidized by the Federal Government through HUD.

Financial Reporting Entity

The Governmental Accounting Standards Board (GASB) has issued Statement No. 14, *"The Financial Reporting Entity,"* as amended by GASB Statement No. 39, *"Determining Whether Certain Organizations Are Component Units,"* which describes those entities that are considered component units for financial reporting purposes. The Authority is not considered a component unit of Tooele County (the County), or any other government entity under the criteria of GASB Statement No. 14, as amended by GASB Statement No. 39, since the County exercises no oversight responsibility either financially or administratively over the Authority.

Tooele County Housing Development (TCHD) was established and organized as a nonprofit corporation for the purpose of acquiring, developing and managing real estate for affordable housing. TCHD is considered a component unit of the Authority and has been included in the Authority's general purpose financial statements as a blended component unit in accordance with GASB Statement No. 14. TCHD is considered a component unit of the Authority because the Authority can appoint a voting majority of the governing body of TCHD and can significantly influence the program, projects, activities, or level of service performed by TCHD.

Basis of Presentation

In order to insure observance of limitations and restrictions placed on the use of resources available to the Authority, the accounts are maintained in accordance with the principles of fund accounting. The Authority participates in HUD programs on an enterprise fund basis. All of the Authority's programs are accounted for as one business-type activity for financial reporting purposes and neither fiduciary funds nor component units that are fiduciary in nature are included. The financial statement presentation provides an indication of the financial performance of the Authority as a whole. In addition, the Authority adopts the budget that has been approved by its Board.

In accordance with HUD prescribed accounting practices, the Authority has adopted GASB Statement No. 20, *"Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting."* The Authority has elected to apply all applicable FASB pronouncements and Accounting Principle Board (APB) opinions issued on or before November 30, 1989. The Authority also elects to apply all FASB pronouncements after November 30, 1989 as long as they do not conflict with or contradict GASB pronouncements.

Tooele County Housing Authority
Notes to Financial Statements (continued)
Year Ended December 31, 2005

1. Summary of Significant Accounting Policies (Continued)

Basis of Presentation (continued)

In June 1999, the GASB issued Statement No. 34, "*Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments.*" This statement, known as the "Reporting Model" statement, affects the way the Authority prepares and presents financial information. GASB Statement No. 34 established new requirements and a new reporting model for the annual financial reports of state and local governments and had no impact on beginning net assets. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions and includes:

Management's Discussion and Analysis (new in the current year) – GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to analysis the private sector provides in their annual reports and is included as required supplementary information.

Statement of Net Assets – The Statement of Net Assets is designed to display the financial position of the primary government (business-type activities). There are no discretely presented component units. Governments report all capital assets in the government-wide Statement of Net Assets and report depreciation expense – the cost of "using up" capital assets – in the Statement of Activities and Changes in Net Assets. There is no infrastructure. The net assets of the Authority will be broken down into three categories – 1) invested in capital assets, net of related debt, 2) restricted net assets, and 3) unrestricted net assets.

Statement of Cash Flows – The direct method is required by GASB Statement No. 34.

Basis of Accounting

The Authority's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Under the accrual basis, revenues are recorded when earned and expenses are recorded when incurred. Revenues that have been received but not earned before the fiscal year end are recorded as deferred revenues.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. Principal operating revenues are dwelling rentals and intergovernmental revenues. Operating expenses include administration, maintenance, insurance, depreciation, utilities, and housing assistance payments. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses. This includes interest income and interest expense amounts, not discussed above.

Tooele County Housing Authority
Notes to Financial Statements (continued)
Year Ended December 31, 2005

1. Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

The Authority considers all highly liquid securities purchased with a maturity of three months or less to be cash equivalents. Tenants security deposits are not considered cash equivalents. Restricted cash consists of FSS escrow accounts maintained by the Authority which are not expected to be liquidated in the short-term and likewise are not considered cash equivalents.

Fixed Assets

Property and equipment are recorded at cost and depreciated using the straight-line method of depreciation over the estimated useful lives of the assets, as shown below. When assets are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period. Maintenance and repairs, including the replacement of minor items, are expensed as incurred, and major additions to buildings, furnishings, and equipment are capitalized. Construction in progress commences depreciation when the construction is complete and related assets placed in service.

<u>Major Groupings</u>	<u>Useful Lives (years)</u>
Buildings	7-40
Furniture and equipment	5-7

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates relating to reserve for down payment loan programs receivable totaling \$11,140 at December 31, 2005 (see note 5), may change significantly in the near-term.

Recently Issued Accounting Pronouncements

In May 2005, the FASB issued SFAS No. 154, *Accounting Changes and Error Corrections*, a replacement of APB Opinion No. 20 and FASB Statement No. 3. This statement changes the requirements for the accounting for and reporting of a change in accounting principle. Previously, Opinion 20 required that most voluntary changes in accounting principle be recognized by including in net income of the period of change the cumulative effect of changing to a new principle. This statement requires retrospective application to prior periods' financial statements of changes in accounting principle, when practicable. The adoption of SFAS No. 154 did not have a material impact on the Authority's financial condition or results of operations.

Tooele County Housing Authority
Notes to Financial Statements (continued)
Year Ended December 31, 2005

2. Deposits

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the State, and review the rules adopted under the authority of the State of Utah Money Management Act (the Act) that relate to the deposit and investment of public funds.

The Authority follows the requirements of the Act (Utah Code, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of the Authority funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority does not have a formal deposit policy for custodial credit risk. As of December 31, 2005, \$40,732 of the Authority's bank balances of \$251,699 was uninsured and uncollateralized.

3. Summary of Changes in Fixed Assets

A summary of changes in fixed assets for the year ended December 31, 2005 is as follows:

	Balance 12/31/2004	Additions	Retirements	Transfers	Balance 12/31/2005
Land	\$ 202,480	\$ -	\$ -	\$ -	\$ 202,480
Buildings	1,516,488	40,476	-	48,243	1,605,207
Furniture & Equipment- dwellings	176,521	1,493	-	-	178,014
Furniture & Equipment- administrative	47,909	-	-	-	47,909
Construction in Progress	48,243	-	-	(48,243)	-
Total Fixed Assets	<u>\$1,991,641</u>	<u>\$ 41,969</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$2,033,610</u>

4. Notes Receivable

Notes receivable consist of loans to qualifying individuals and families for down payment assistance or home improvements under three separate programs. The collateral for these loans consist of buildings and land for which the down payments or home improvements were made. The Authority's management has determined that the fair value of the underlying properties used as collateral exceed the face amounts of the notes receivable.

Tooele County Housing Authority
Notes to Financial Statements (continued)
Year Ended December 31, 2005

4. Notes Receivable (continued)

The down payment program loans totaling \$280,758 bear no interest and are to be paid back to the Authority when the participants no longer own the homes. The down payment assistance loans are subject to some risk of credit loss. Accordingly, the Authority has provided a reserve totaling \$11,140 for down payment loans that may be forgiven under SFAS 114, "*Accounting by Creditors for Impairment of a Loan*", for the estimated amount of impairment related to these loans based on expected future cash flows. The American dream down payment initiative program loans totaling \$44,000 bear no interest and are to be paid back to the Authority when the participants no longer own the homes. The home improvement program consists of multiple loans totaling \$70,263. The interest rates range from 0% to 5% depending on the borrower's income level and family size and are due in monthly installments. Notes receivable (excluding related party notes receivable) total \$383,881 at December 31, 2005, of which home improvement loans of \$30,000 are due in the short-term.

The Authority has related party notes receivables of \$435 due from Valley Meadows, LLC and Tooele Crown II, LLC for management fees earned in the year ended December 31, 2005. In addition, \$14,438 is due from Tooele Crown II, LLC for financing granted in the year 2000. The loan carries a 3% interest rate, and the Authority received no payments during the fiscal year. The Authority is the managing member of Tooele Crown II, LLC and has .1% ownership as well. Also, \$708 is due from Grantsville Apartments, LP for financing granted in 2003 and 2004. The loan carries no interest rate, and the Authority received a payment during the fiscal year for \$46,640. Related party notes receivable total \$15,581 at December 31, 2005, of which \$1,143 is receivable in the current period. The loans are not collateralized. See note 12.

Future maturities of notes receivable are as follows:

<u>Year Ending December 31,</u>	
2006	\$ 31,143
2007	25,000
2008	25,000
2009	25,000
2010	25,000
Thereafter	<u>268,319</u>
Total future maturities	<u>\$ 399,462</u>

5. Long-Term Debt

Long-term debt consists of two mortgage notes, both of which are payable to the Utah State Division of Finance. The first note is for \$143,872 at an interest rate of 5% per annum, payable in monthly installments of \$939. Collateral consists of the land and building of a 5-plex apartment building in Tooele, with a fair value of \$142,436. The mortgage payable is due August 2026.

Tooele County Housing Authority
Notes to Financial Statements (continued)
Year Ended December 31, 2005

5. Long-Term Debt (continued)

The second mortgage note is for the amount of \$151,340, and does not bear interest. It is payable in monthly installments of \$268 in January 2003. Collateral consists of the land and building of a women's shelter located in Tooele, with a fair value of 150,069. The mortgage payable is due January 2053.

Future maturities of long-term debt are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 7,395	\$ 7,099
2007	7,608	6,885
2008	7,833	6,660
2009	8,069	6,424
2010	8,317	6,176
2011-2015	45,773	26,693
2016-2020	54,181	18,285
2021-2025	64,972	7,494
2026-2030	20,224	47
2031-2035	16,100	-
2036-2040	16,100	-
2041-2045	16,100	-
2046-2050	16,100	-
2051-2052	6,440	-
Total future maturities	<u>\$ 295,212</u>	<u>\$ 85,763</u>

As is customary in the low-income housing industry, interest rates on loans used to finance the purchase of low-income housing are, in some cases, substantially below usual prevailing market rates in other industries and many loans bear interest rate subsidies and longer terms than what is customary. As a result, debt discounts based on the future value of the cumulative differences between actual interest rates and prevailing market rates for this industry have not been recorded on the Authority's financial statements as the difference between actual interest rates and interest rates that are customary in the industry are not considered material. Management is of the opinion that recording substantial debt discounts based on differences from prevailing rates in other industries would make the financial statements misleading.

6. Retirement Plans

The Authority participates in a multiple employer cost sharing retirement system administered by the Utah Retirement System. The Utah Retirement Systems provides retirement and survivor benefits to plan members and beneficiaries in accordance with retirement statutes.

Tooele County Housing Authority
Notes to Financial Statements (continued)
Year Ended December 31, 2005

6. Retirement Plans (continued)

The Utah Retirement Systems (the Systems) are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953, as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah retirement System and Plans under the direction of the Utah State Retirement Board whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and requires supplementary information for retirement plans administered by the Utah Retirement Systems. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah, 84102 or by calling 1-800-365-8772.

The Authority is legally obligated to contribute to the retirement systems as long as it has employees meeting membership requirements. The contribution rates are the actuarial determined rates. The contribution rates in effect for the year ending December 31, 2005, are as follows, calculated on the applicable salary for the eligible employees:

<u>Utah Retirement Systems</u>	<u>Employee Paid</u>	<u>Paid by Employer For Employees</u>	<u>Employers Contribution Rates</u>
January 1, 2005 – June 30, 2005	N/A	N/A	11.09%
July 1, 2005 – December 31, 2005	N/A	N/A	11.09%

The contributions made by the Authority for the year ended December 31, 2005, were paid by the due dates or within 30 days thereafter and were equal to the required contributions.

The required contributions and amounts received for the year ended December 31, 2005, and the two previous fiscal years are as follows:

<u>Year Ended December 31</u>	<u>Employee paid contributions</u>	<u>Employer paid for employee contributions</u>	<u>Employer contributions</u>	<u>Salary subject to retirement contributions</u>
Noncontributory System:				
Local Government Division				
2005	\$ -	\$ -	\$ 17,329	\$ 156,257
2004	\$ -	\$ -	\$ 15,642	\$ 151,012
2003	\$ -	\$ -	\$ 13,625	\$ 144,816
Defined Contribution System:				
457 Plan				
2005	\$ 1,300	\$ -		
2004	\$ 400	\$ -		
2003	\$ -	\$ -		
401 (K) Plan				
2005	\$ 3,093	\$ 6,860		
2004	\$ 3,046	\$ 6,646		
2003	\$ 2,984	\$ 7,054		

Tooele County Housing Authority
Notes to Financial Statements (continued)
Year Ended December 31, 2005

7. Economic Dependency

A substantial amount of the revenues received by the Authority during the year ended December 31, 2005, came from U.S. Department of Housing and Urban Development. Programs operated by the Authority depend upon continued funding by the U.S. Government.

8. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Various insurance policies have been purchased to cover the risks described above. The insurance policies require minimal deductible amounts which the Authority pays in the event of any loss. The Authority also has purchased a workers' compensation policy. Settled claims resulting from losses have not exceeded commercial insurance coverage in any of the past three fiscal years.

9. Interprogram Receivables and Payables

The Authority has interprogram receivables and payables totaling \$21,579, which have been eliminated on the financial statements.

10. Commitments and Contingencies

The Authority leases office space under a month to month operating lease agreement. Rent expense totaled \$8,794 in 2005.

11. Deferred Revenue

Deferred revenue of \$38,357 at December 31, 2005 consists of prepaid funds to the Authority from HUD for housing assistance payments, administrative fees, and maintenance on units owned by the Authority for the subsequent year.

12. Related Party

The Authority is the managing member of Tooele Crown II, LLC and Valley Meadows, LLC. The two above mentioned entities are to pay the Authority monthly management fees that total \$33,492 for the year ended December 31, 2005, of which a portion is still receivable in the amount of \$435 at December 31, 2005. There is also a related party long term notes receivable between the Authority and Tooele Crown II, LLC in the amount \$14,438. See note 5 for more details.

In the current year, the Authority issued a short-term note payable between Grantsville Apartments, LP (the Partnership) and itself in the amount of \$708 for expenses in starting operations of the Partnership. The Authority owns .01% in the Partnership. The amount is to be repaid in the subsequent year. The Partnership did repay the note of \$46,640 in the current year. See note 5 for more details.

Supplementary Schedules

Tooele County Housing Authority
Financial Data Schedule I – Statement of Net Assets
December 31, 2005

PHA: UT020 FYED: 12/31/2005

Line Item No.	Account Description	Business Activities	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
111	Cash - Unrestricted	\$62,583	\$15,678	\$31,169	\$0	\$99,163	\$208,593
113	Cash - Other Restricted	\$0	\$762	\$0	\$0	\$0	\$762
114	Cash - Tenant Security Deposits	\$1,600	\$7,220	\$0	\$0	\$0	\$8,820
100	Total Cash	\$64,183	\$23,660	\$31,169	\$0	\$99,163	\$218,175
125	Accounts Receivable - Miscellaneous	\$708	\$435	\$0	\$0	\$0	\$1,143
126	Accounts Receivable - Tenants - Dwelling Rents	\$8,614	\$316	\$0	\$0	\$0	\$8,930
126.1	Allowance for Doubtful Accounts - Dwelling Rents	\$-7,806	\$0	\$0	\$0	\$0	\$-7,806
126.2	Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0	\$0	\$0
127	Notes, Loans, & Mortgages Receivable - Current	\$0	\$0	\$0	\$0	\$30,000	\$30,000
129	Accrued Interest Receivable	\$0	\$0	\$0	\$0	\$357	\$357
120	Total Receivables, net of allowances for doubtful accounts	\$1,516	\$751	\$0	\$0	\$30,357	\$32,624
142	Prepaid Expenses and Other Assets	\$500	\$0	\$550	\$0	\$0	\$1,050
144	Interprogram Due From	\$0	\$21,579	\$0	\$0	\$0	\$21,579
150	Total Current Assets	\$66,199	\$45,990	\$31,719	\$0	\$129,520	\$273,428
161	Land	\$47,000	\$155,480	\$0	\$0	\$0	\$202,480
162	Buildings	\$305,285	\$1,299,922	\$0	\$0	\$0	\$1,605,207
163	Furniture, Equipment & Machinery - Dwellings	\$4,151	\$173,863	\$0	\$0	\$0	\$178,014
164	Furniture, Equipment & Machinery - Administration	\$0	\$29,474	\$6,110	\$0	\$12,325	\$47,909
166	Accumulated Depreciation	\$-54,327	\$-533,382	\$-6,110	\$0	\$-12,210	\$-606,029
160	Total Fixed Assets, Net of Accumulated Depreciation	\$302,109	\$1,125,957	\$0	\$0	\$115	\$1,427,561
171	Notes, Loans, & Mortgages Receivable - Non Current	\$14,438	\$0	\$0	\$0	\$353,881	\$368,319
180	Total Non-Current Assets	\$316,547	\$1,125,957	\$0	\$0	\$353,881	\$1,795,900
190	Total Assets	\$382,746	\$1,171,347	\$31,719	\$0	\$483,516	\$2,069,328

Tooele County Housing Authority
Financial Data Schedule I – Statement of Net Assets (continued)
December 31, 2005

PHA: UT020 FYED: 12/31/2005

Line Item No.	Account Description	Business Activities	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
312	Accounts Payable <= 90 Days	\$0	\$0	\$82	\$0	\$0	\$82
321	Accrued Wage/Payroll Taxes Payable	\$0	\$0	\$97	\$0	\$0	\$97
325	Accrued Interest Payable	\$599	\$0	\$0	\$0	\$0	\$599
341	Tenant Security Deposits	\$1,600	\$7,220	\$0	\$0	\$0	\$8,820
342	Deferred Revenues	\$4,222	\$1,527	\$0	\$0	\$32,608	\$38,357
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	\$7,395	\$0	\$0	\$0	\$0	\$7,395
345	Other Current Liabilities	\$0	\$782	\$0	\$0	\$0	\$782
347	Interprogram Due To	\$6,840	\$0	\$5,059	\$0	\$9,680	\$21,579
310	Total Current Liabilities	\$20,656	\$9,509	\$5,238	\$0	\$42,288	\$77,691
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue Bonds	\$287,817	\$0	\$0	\$0	\$0	\$287,817
350	Total Noncurrent Liabilities	\$287,817	\$0	\$0	\$0	\$0	\$287,817
300	Total Liabilities	\$308,473	\$9,509	\$5,238	\$0	\$42,288	\$365,508
508	Total Contributed Capital	\$0	\$0	\$0	\$0	\$0	\$0
508.1	Invested in Capital Assets, Net of Related Debt	\$6,897	\$1,125,357	\$0	\$0	\$115	\$1,132,369
511	Total Reserved Fund Balance	\$0	\$0	\$0	\$0	\$0	\$0
511.1	Restricted Net Assets	\$0	\$0	\$0	\$0	\$0	\$0
512.1	Unrestricted Net Assets	\$67,376	\$36,481	\$26,481	\$0	\$441,113	\$571,451
513	Total Equity/Net Assets	\$74,273	\$1,161,838	\$26,481	\$0	\$441,228	\$1,703,820
600	Total Liabilities and Equity/Net Assets	\$382,746	\$1,171,347	\$31,719	\$0	\$483,516	\$2,069,328

Tooele County Housing Authority
Financial Data Schedule II – Statement of Activities
and Changes in Net Assets
Year Ended December 31, 2005

PHA: UT020 FYED: 12/31/2005

Line Item No.	Account Description	Business Activities	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
703	Net Tenant Rental Revenue	\$28,075	\$36,905	\$0	\$0	\$0	\$62,980
705	Total Tenant Revenue	\$28,075	\$36,905	\$0	\$0	\$0	\$62,980
706	HUD PHA Operating Grants	\$0	\$51,786	\$1,083,826	\$15,764	\$0	\$1,151,376
708.1	Capital Grants	\$0	\$0	\$0	\$34,001	\$0	\$34,001
708	Other Government Grants	\$0	\$0	\$0	\$0	\$39,397	\$39,397
711	Investment Income - Unrestricted	\$399	\$1,180	\$783	\$0	\$0	\$2,362
715	Other Revenue	\$35,583	\$26,960	\$0	\$0	\$5,002	\$67,545
700	Total Revenue	\$62,057	\$116,831	\$1,084,609	\$49,765	\$44,399	\$1,357,661

Tooele County Housing Authority
Financial Data Schedule II – Statement of Activities
and Changes in Net Assets (continued)
Year Ended December 31, 2005

PHA: UT020 FYED: 12/31/2005

Line Item No.	Account Description	Business Activities	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
911	Administrative Salaries	\$29,106	\$13,389	\$82,201	\$10,720	\$10,632	\$146,048
912	Auditing Fees	\$1,852	\$2,001	\$4,855	\$0	\$1,076	\$9,784
915	Employee Benefit Contributions - Administrative	\$9,666	\$11,240	\$27,729	\$5,044	\$3,441	\$57,120
916	Other Operating - Administrative	\$10,743	\$11,555	\$23,428	\$0	\$4,839	\$50,565
931	Water	\$639	\$15,627	\$0	\$0	\$0	\$16,266
932	Electricity	\$1,224	\$2,960	\$0	\$0	\$0	\$4,184
933	Gas	\$1,314	\$655	\$0	\$0	\$0	\$1,969
941	Ordinary Maintenance and Operations - Labor	\$0	\$25,285	\$0	\$0	\$0	\$25,285
942	Ordinary Maintenance and Operations - Materials and Other	\$181	\$10,182	\$435	\$0	\$0	\$10,798
943	Ordinary Maintenance and Operations - Contract Costs	\$3,304	\$35,217	\$0	\$0	\$0	\$38,521
961	Insurance Premiums	\$2,154	\$5,851	\$7,011	\$0	\$1,181	\$16,197
962	Other General Expenses	\$3,389	\$5,510	\$0	\$0	\$2,230	\$11,129
967	Interest Expense	\$7,901	\$0	\$0	\$0	\$0	\$7,901
969	Total Operating Expenses	\$71,473	\$139,472	\$145,659	\$15,764	\$23,399	\$395,767
970	Excess Operating Revenue over Operating Expenses	\$-9,416	\$-22,641	\$938,950	\$34,001	\$21,000	\$961,894
973	Housing Assistance Payments	\$0	\$0	\$935,056	\$0	\$0	\$935,056
974	Depreciation Expense	\$8,879	\$48,037	\$134	\$0	\$552	\$57,602
900	Total Expenses	\$80,352	\$187,509	\$1,080,849	\$15,764	\$23,951	\$1,388,425
1010	Total Other Financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	\$-18,285	\$-70,678	\$3,760	\$34,001	\$20,448	\$-30,764

Tooele County Housing Authority
Financial Data Schedule II – Statement of Activities
and Changes in Net Assets (continued)
Year Ended December 31, 2005

PHA: UT020 FYED: 12/31/2005

Line Item No.	Account Description	Business Activities	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
1102	Debt Principal Payments - Enterprise Funds	\$0	\$0	\$0	\$0	\$0	\$0
1103	Beginning Equity	\$92,568	\$1,153,672	\$22,721	\$44,843	\$420,780	\$1,734,584
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0	\$78,844	\$0	\$-78,844	\$0	\$0
1113	Maximum Annual Contributions Commitment (Per ACC)	\$0	\$0	\$1,083,657	\$0	\$0	\$1,083,657
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	\$0	\$0	\$0	\$0	\$0	\$0
1115	Contingency Reserve, ACC Program Reserve	\$0	\$0	\$0	\$0	\$0	\$0
1116	Total Annual Contributions Available	\$0	\$0	\$1,083,657	\$0	\$0	\$1,083,657
1120	Unit Months Available	60	264	2,580	0	0	2,904
1121	Number of Unit Months Leased	60	264	2,346	0	0	2,670

Tooele County Housing Authority
Notes to Financial Data Schedule
Year Ended December 31, 2005

1. Basis of Presentation

The Financial Data Schedules have been prepared using the basis of accounting required by HUD's Real Estate Assessment Center.

2. Reconciliation to Basic Financial Statements

The following reconciles combined balances of total assets, total liabilities, net assets and changes in net assets per the Financial Data Schedules to the basic financial statements:

	<u>Total assets</u>	<u>Total liabilities</u>	<u>Net assets</u>	<u>Change in net assets</u>
Balances per Financial Data Schedules	\$2,069,328	\$365,508	\$1,703,820	\$ (30,764)
Elimination of interprogram balances	<u>(21,579)</u>	<u>(21,579)</u>	<u>-</u>	<u>-</u>
Balances per basic financial statements	<u>\$ 2,047,749</u>	<u>\$343,929</u>	<u>\$1,703,820</u>	<u>\$ (30,764)</u>

**Schedule of Expenditures of Federal Awards and
Other Audit Reports and Schedules**

**Tooele County Housing Authority
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2005**

<u>Federal Assistance Programs Agency/Program Grant Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing & Urban Development (HUD)		
Direct Programs:		
Low-Rent Public Housing	14.850a	51,786
Section 8 Housing Choice Vouchers	14.871	1,083,826
Public Housing Capital Fund	14.872	49,765
Passed Through from the Utah State Department of Community and Economic Development:		
HOME Investment Partnership Program	14.239	36,000
Community Development Block Grants/ State's Program	14.228	3,397
Total expenditures of federal awards		<u>\$ 1,224,774</u>

Tooele County Housing Authority
Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2005

1. Scope of Audit Pursuant to OMB Circular A-133

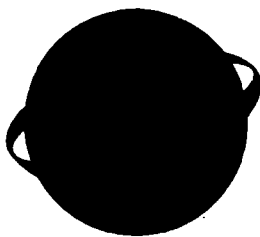
The Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of all federal award programs of the Authority. All federal awards received directly from federal agencies as well as federal awards passed through other governmental agencies or other entities are included in the Schedule.

2. Basis of Presentation

The Authority's Schedule of Expenditures of Federal Awards has been prepared using the same basis of accounting as the December 31, 2005 financial statements of the Authority. The Authority reports to HUD using the accrual basis of accounting. A complete description of the basis of accounting is included in note 1 to those financial statements.

3. Contingencies

In connection with various federal grant programs, the Authority is obligated to administer related programs and spend the funds in accordance with regulatory restrictions, and is subject to audit by grantor agencies and other auditors. In cases of noncompliance, the agencies involved may require the Authority to refund program funds.



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Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Commissioners
Tooele County Housing Authority
Tooele County, Utah

We have audited the financial statements of the business activity and major fund of the Tooele County Housing Authority (the Authority) as of and for the year ended December 31, 2005, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated August 7, 2006. That report noted that the Authority implemented Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* for the year ended December 31, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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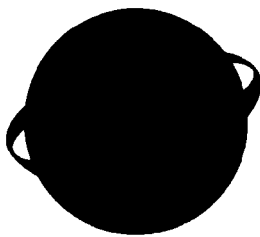
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Board of Commissioners
Tooele County Housing Authority

We noted certain matters that we reported to management of the Authority in a separate letter dated August 7, 2006.

This report is intended solely for the information of the audit committee, Board of Commissioners, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Child, Van Wagoner & Bradshaw
Child, Van Wagoner & Bradshaw, PLLC
Kaysville, Utah
August 7, 2006



Child, Van Wagoner & Bradshaw, PLLC

Douglas W. Child, CPA
Marty D. Van Wagoner, CPA
J. Russ Bradshaw, CPA
William R. Denney, CPA
Roger B. Kennard, CPA
Scott L. Farnes

Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

Board of Commissioners
Tooele County Housing Authority
Tooele County, Utah

Compliance

We have audited the compliance of the Tooele County Housing Authority (the Authority) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2005. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2005.

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Board of Commissioners
Tooele County Housing Authority

Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grant agreements and other matters applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on major federal programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Commissioners, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Child, Van Wagoner & Bradshaw

Child, Van Wagoner & Bradshaw, PLLC
Kaysville, Utah
August 7, 2006

**Tooele County Housing Authority
Schedule of Findings and Questioned Costs
Year Ended December 31, 2005**

SECTION I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No

- Reportable condition(s) identified
that are not considered to be material
weaknesses? Yes X None reported

Non compliance material to financial
statements noted? Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes X No

- Reportable condition(s) identified
that are not considered to be material
weaknesses? Yes X None reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required
to be reported in accordance with section 510(a)
of Circular A-133? Yes X No

Identification of major programs?

CFDA Number(s)

14.871

Name of Federal Program or Cluster

Section 8 Housing Choice Vouchers

Dollar threshold used to distinguish
between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? X Yes No

**Tooele County Housing Authority
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2005**

Section II-Financial Statement Findings and Questioned Costs

No matters were reported for the fiscal year ended December 31, 2005.

Section III-Federal Award Findings and Questioned Costs

No matters were reported for the fiscal year ended December 31, 2005.

**Tooele County Housing Authority
Schedule of Findings and Questioned Costs - Prior Year
Year Ended December 31, 2005**

No matters were reported for the fiscal year ended December 31, 2004.

**Tooele County Housing Authority
Independent Auditor's Report on State of Utah Legal Compliance
Year Ended December 31, 2005**

Board of Commissioners
Tooele County Housing Authority
Tooele County, Utah

We have audited the financial statements of the Tooele County Housing Authority (the Authority), for the year ended December 31, 2005, and have issued our report thereon dated August 7, 2006. Our audit included test work on the Authority's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide including:

Cash Management
Other Compliance Requirements

The Authority received no major or nonmajor funding during the year ended December 31, 2005.

The management of the Authority is responsible for the Authority's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, the Authority complied, in all material respects with the general compliance requirements identified above for the year ended December 31, 2005.

Child, Van Wagoner & Bradshaw
Child, Van Wagoner & Bradshaw, PLLC
Kaysville, UT
August 7, 2006